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Date: 11/30/2010

GAIN Report Number: BR0624

Brazil

Cotton and Products Update

Record Year-on-year Planted Area Increase Expected

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Report Highlights:

Post increased 2010/11 cotton production to an estimated 7.65 million bales and planted area to 1.15 million hectares, representing record year-on-year increases of 40 percent and 38 percent, respectively. The significant year-on-year increase in production is expected to strain the supply of production inputs, harvest equipment, and gins. Record international and domestic prices spurred an increase in first-crop cotton planting in Brazil. Post reduced domestic consumption amidst high prices as textile plants substitute from cotton to man-made fibers. Brazil's committed sales have reached a new record of 65 percent of the estimated 2010/11 crop. Brazil is expected to import a record 685,000 bales of U.S. cotton in 2010/11, double the previous record set in 1994.

Post:

Brasilia

Production, Supply and Demand Data Statistics

Brazil Cotton (Local) 1000 HA and 1000 480 lb. Bales							
	2008/2009		2009/2010		2010/2011		% (b/a)
	Official Data	Post	Official Data	Post (a)	Official Data	Post (b)	
Market Year Begin		08/2008		08/2009		08/2010	
Area Planted	0	0	0	0	0	0	
Area Harvested	843	843	836	836	1,100	1,150	37.6
Beginning Stocks	6,251	6,250	4,992	4,991	4,253	4,366	-12.5
Production	5,480	5,480	5,350	5,465	7,500	7,650	40.0
Imports	50	50	151	150	800	800	433.3
MY Imports from U.S.	0	0	0	0	0	685	
Total Supply	11,781	11,780	10,493	10,606	12,553	12,816	20.8
Exports	2,739	2,739	1,990	1,990	2,400	2,295	15.3
Use	4,200	4,200	4,400	4,400	4,500	4,500	2.3
Loss	-150	-150	-150	-150	-150	-150	0.0
Total Dom. Consumption	4,050	4,050	4,250	4,250	4,350	4,350	2.4
Ending Stocks	4,992	4,991	4,253	4,366	5,803	6171	41.3
Total Distribution	11,801	11,780	10,493	10,606	12,553	12,816	20.8

Brazil's 2010/11 planted area and production year-on-year increase sets a new record

Post increased 2010/11 cotton production to an estimated 7.65 million bales representing a record 40 percent year-on-year increase. Post increased cotton planted area to an estimated 1.15 million hectares, a 38 percent increase over 2009/10. Post's production estimates are in line with the Ministry of Agriculture Brazilian Food Supply Company (CONAB) whose October survey estimated 2010/11 production between 7.5 and 8 million bales. Post's planted area estimate is near the recent Brazilian Cotton Producer Association (ABRAPA) estimate of 1.17 million hectares.

Record international and domestic prices based on strong world demand spurred an increase in first crop cotton plantings throughout Brazil. In addition in Mato Grosso, delayed rains resulting from the La Nina weather phenomenon shifted additional acreage to first-crop cotton from early-maturing soybeans given the higher potential profitability of cotton and the fact that the soybean early planting window had closed. As a result, the expected planting ratio of first-crop to second-crop cotton is now at least 60:40, whereas at the beginning of October the ratio had been estimated at 40:60. First-crop cotton is planted at 90-cm row spacing using long-cycle varieties that possess greater yield potential. However, good yields remain dependent on favorable agro-climatic conditions, which have not been consistent in the largest cotton producing state of Mato Grosso given the La Nina phenomenon. Mato Grosso produces

over 50 percent of the national cotton crop and will plant a record estimated area of over 600,000 hectares this year. Bahia is the second largest cotton producing state and is estimated to plant 400,000 hectares this year. Bahia has thus far experienced favorable precipitation and planting conditions.

Planting is on pace this year with an estimated 20-25 percent completed. Planting is well underway in the states of Sao Paulo, Parana, Minas Gerais, and regions of Goias. Many states have instituted a *vazio sanitario* – a 60-day or longer period in which planting is prohibited to control cotton boll weevil.

Planting just commenced on December 1st following the *vazio sanitario* in the state of Mato Grosso.

Brazil's consumption estimate for 2010/11 is reduced due to record cotton prices

Amidst record prices, the Brazilian mills and textile industry are adopting measures to offset production cost increases that cannot be passed onto the consumer. These measures include increased substitution from natural cotton fiber to man-made fibers (MMF) and scheduled reduction in shifts or prolonged vacations for mill employees during end of year holiday and mill cleaning/maintenance.

Brazil is expected to import a record amount of U.S. Cotton in 2010/11

Brazil is expected to import a record 650,000 bales of U.S. cotton in 2010/11, almost double the previous record set in 1994. Record prices will economically prohibit Brazil from reaching Post's previous import estimate of 1.1 million bales of U.S. origin, notwithstanding the temporary zero import duty applied on 250,000 million metric tons (mmt) (1.15 million bales) between October 2010 and May 2011. International cotton prices increased 25 percent in October alone and 68 percent since January and although coming down in recent weeks they appear to be stabilizing well above historic averages. In addition, tight supplies worldwide have adversely affected importers with U.S. stocks at their lowest level in years and India now administering export quotas.

Brazil's committed sales reach new record 65 percent of estimated 2010/11 crop

As of mid-November, ABRAPA reported that Brazil had committed 65 percent of the 2010/11 crop for sale equaling 1.1 mmt of the estimated 1.7 MMT crop. Trade sources indicate approximately 800,000 tons were sold at an average of US\$0.75-0.80 per pound (net FOB) and the remaining sold at between US\$ 1.00-1.20 per pound (net FOB).

Post increased exports to an estimated 2.3 million bales in 2010/11 based on expected strong exports of new crop cotton in starting in July 2011. Exports for 2011/12 are projected 2.75 million bales based on robust cotton demand worldwide and the size of Brazil's expected 2010/11 crop.

Other relevant reports:

[BR0618 - Record U.S. Cotton Exports Forecasted in 2010-11](#)

[BR0613 - Tight Cotton Stocks in Brazil](#)

[BR0608 - Cotton Annual Report 2010](#)